



# CONGRESSIONAL HEARING RESUME

106th Congress

**Date: 3 March 00**

**SUBJECT:           Hearing on Depot 50/50 Waiver**

**COMMITTEE:       Senate Armed Services Committee  
                      Subcommittee on Readiness**

**CHAIRMAN:        The Honorable James M. Inhofe**

**MEMBERS PRESENT (bold face):**

## **REPUBLICANS**

### **Inhofe, James (OK)**

Strom Thurmond (SC)  
John McCain (AZ)  
Rick Santorum (PA)  
Pat Roberts (KS)  
Tim Hutchinson (AR)

## **DEMOCRATS**

### **Charles S. Robb (VA)**

Jeff Bingaman (NM)  
Robert C. Byrd (WV)  
**Max Cleland (GA)**  
Mary L. Landrieu (LA)

**WITNESSES:**     F. Whitten Peters       SECAF  
                      Gen George Babbitt, Jr.     AFMC/CC  
                      David Warren, Director, Defense Management Issues, GAO  
                      Julia Denman, Assistant Director, Defense Management Issues, GAO

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**Prepared by: Lt Col Amy Bouchard**

**Date: 3 March 00**

**Phone number: 697-7951**

## **EXECUTIVE SUMMARY**

The Hearing was much more cordial than anticipated. The overarching concern is that the AF will need to exercise this waiver again in FY01 unless significant management actions and policy changes are implemented. The GAO stated the waiver was reasonable, but the AF placed itself in a position with very little headroom flexibility with 50/50. Secretary Peters and Gen Babbitt's message to the committee was that the AF acquisition and logistics teams are committed to develop an integrated source of repair program that considers Core and 50/50 requirements.

The Subcommittee was called to order at 0900

## **OPENING REMARKS**

**Chairman Inhofe:** Stated that we are in the midst of another depot maintenance controversy that was ultimately caused by the current Administration's decision to close two AF depots. Sen Inhofe feels that the Administration's delay with the Public/Private Competition impacted the AF's need to exercise a national security waiver for Depot 50/50. Concerned with the AF's long term commitment to Core work in the depots. Believes that the Administration's insistence to outsource maintenance workloads through programs like contractor logistics support may undermine the depots' long-term viability. He also believes that there are some individuals in the Department that would choose to make regular use of the waiver authority as a means to circumvent the law.

### **Sen Robb**

Welcomed the witnesses and offered no opening remarks.

## **WITNESS STATEMENTS**

### **Secretary Peters**

- AF depots are currently at 90% capacity
- Explained the AF's decentralized execution of the depot maintenance programs.
- Propulsion award in the public private competition placed the AF closer to 50/50 than projected but the AF stayed committed to the plan to save taxpayers \$2.6B
- MICAP rates increased during workload transition--grounding approximately 4.5 fighter squadrons
- National Security waiver implemented so depot managers could use bridge contracts to support the warfighters' needs without the fear of violating 10 USC 2466.
- FY01 will be close to 50/50 but the SECAF/CSAF are committed to keeping us in compliance with the law.

### **General Babbitt**

- No opening statement.

### **GAO**

#### **Mr. Warren**

- Air Force implementation of the national security waiver was justified and reasonable.
- Workload transition problems required the AF to use "Bridge Contracts"
- AF Depot Maintenance work through long term contracts has increased by 83% since FY96
- AF faces significant future challenges to stay within the 50/50 ceiling unless there are changes made with future depot work concepts

**Sen Cleland**

- Voiced a strong concern that key strategic airlift and tanker assets were not categorized as “Core” despite the fact that Gen Clarke stated they were the most critical assets for the warfighters from Kosovo
- Does not concur with the definition of “Core”; believes it should be weapon system specific

**Sen Inhofe**

- Questioned if the waiver was implemented strictly for workload transition from the closing depots--referenced internal AFMC/LG memo that stated the “Bridge Contract” was only one reason for the waiver

**Secretary Peters**

- Realized that we would be close to the 50/50 ceiling
- Depot Managers need flexibility to operate based on the readiness need to keep aircraft flying
- Budget numbers make estimating 50/50 very ineffective
- Waiver issued to avoid the potential bureaucracy of managing these numbers versus focusing on fixing aircraft
- Management actions are in place to make sure this isn’t needed again

**Gen Babbitt**

- Aware that we have a challenge with FY01 long before the “Internal Memo” and are committed to working the necessary management actions to stay under 50/50 ceiling
- Discussed memo with AFMC/LG--he was simply advocating a difference of opinion between the Logistics and Acquisition Community in the AF

**Sen Inhofe**

- Expressed concern that we base depot capacity on a one shift, 40 hour work week
- Believes that the public would view capacity differently

**Sen Robb**

- Is the waiver reasonable and do you see this as a one time use?

**Mr. Warren (GAO)**

- AF leadership will be challenged to keep the limit the waiver to FY00; there has to be a change in policy to stay within the 50/50 ceiling

**Ms Denman**

- The AF has limited actions they can take in the next year to under the 50/50 ceiling but there are some opportunities with software and potential engine work

**Sen Robb**

- Is 50/50 a good idea?

**Secretary Peters**

- Need 40% to maintain CORE capability in our Depots. Everything beyond that should be based on best value with partnering with the private sector

**Sen Robb**

- Would you consider changing how 50/50 is accounted for?

**Secretary Peters**

- New legislation was considered but the decision was made that this was not the right time to introduce these proposed changes
- Proposal included consideration for SAR/Intel work, FMS, and contract work conducted as partnering efforts in Gov't owned and operated facilities

**Sen Robb**

- Focused subject away from Depots and focused on overall readiness and MC rates
- Discussed why the MC rates for Bombers has gone up and Airlift and Tankers has gone down
- AEF is a good concept that will help provide stability and enhance AF readiness

**Sen Inhofe**

- Addressed another internal AFMC memo that indicated there is a bias for the private sector and this is preventing us from infusing technologies into our Depots until it is too late

**Mr. Warren**

- There is a preference from the SECDEF down for the private sector

**Gen Babbitt**

- We have infused new technology into our depots; an example is the B-2 composite work
- Internal memos are my key leaders opportunity to express their views and I encourage them to do that

**Closing Remarks - Sen Inhofe**

- We will continue to monitor these issues and look at them again at another hearing in July